

Changing Flood Maps: A Guide for Homeowners and Consumers

The flood maps in your community are being changed. What does this mean to you?

Flood maps, also known as Flood Insurance Rate Maps or FIRMs, are being updated throughout the Commonwealth. With these changes, there is a chance that the risk of flooding at your site is worse than once thought. As development occurs less water infiltrates into the soil, often resulting in flooding. Many areas are now flooding where it has never flooded before. If this scenario applies to you, there are a number of options available that can help you avoid any flood insurance premium increases, or in some cases, even lower your annual flood insurance costs.

This brochure, created by the Kentucky Division of Water, Water Resources Branch provides information to better prepare you for the upcoming changes in flood maps.

Flood maps are prepared for each flood-prone community through the National Flood Insurance Program (NFIP), administered by the Federal Emergency Management Agency (FEMA). Efforts to make the maps more accurate have continued since the first flood maps were released in the 1970s. The Commonwealth of Kentucky formulated a Map Modernization Business Plan in 2004, outlining how the state and FEMA will work to provide each community updated, digital flood maps.

In addition to normal flood insurance rate adjustments, the biggest jump in annual flood insurance premiums can occur if new flood maps show a building to be in a higher flood risk zone than previously indicated. A structure having coverage of \$100,000 for the building and \$30,000 for the building contents could qualify for an annual premium as low as \$233 if it is located in the safest zone. The same building in the highest risk zone would cost \$812 or more per year for the same amount of flood insurance coverage. This brochure explains provisions in the NFIP regulations that protect most homeowners from this kind of drastic rate increase.



What are the primary factors that affect flood insurance rates?

In order for flood insurance to be available in a community, the local government must adopt minimum development and construction regulations (in the form of a Flood Damage Prevention Ordinance) that are designed to minimize flood hazards. All new buildings or substantial improvements to existing buildings are required to be constructed so that the lowest floor, including basement, is elevated to or above the base flood elevation (BFE). Your exact requirements should be obtained from your local building official or floodplain coordinator and your rate should be obtained from your property and/or flood insurance agent.

For comparison, we will use the same example throughout this brochure. Our post-FIRM, single-family home is valued at \$100,000 and the contents are valued at \$30,000. The one-story structure with no basement meets all current floodplain regulations and is insured for 100% of building and contents value. Other factors can affect the rate for our example home, including the level of flood risk, the age of the structure, and its elevation.

1- The Flood Zone

Flood Insurance Rate Maps (FIRMs) define the areas likely to be flooded in a severe storm with a one percent (1%) chance of occurrence in any given year. The 1% annual chance flood is often called the 100-year flood. This is often a misconception given that a 1% annual chance flood could occur several times in one year! A flood event of this frequency is called the base flood and the flood level expected to result from the base flood is called the base flood elevation or BFE. The community is divided into various flood zones with different levels of risk. The land surface in **X Zones** (called B and C Zones on older maps) is above the base flood elevations and not typically regulated. The most common areas expected to be flooded are called **AE Zones** (also called A Zones followed by a number on older maps, e.g. A12) and **A Zones**. The flood insurance rates are usually lowest in X Zones and highest in AE and A Zones. There are other flood risk zones that follow different rules. Talk to your flood insurance agent about the rates in other zones.

Annual flood insurance premiums for the sample home above with the lowest floor elevated to the base flood elevation

X Zone	\$649 (\$233 for a preferred risk policy*)
AE Zone	\$812
A Zone	Submit to FEMA for rating.

* If the home has not had previous flood insurance claims or received previous federal disaster assistance payments, it may qualify for a Preferred Risk Policy. To qualify, the home must be located in a B, C, or X Zone on the current effective FIRM.

All rates shown are effective May 1, 2005 and are subject to change every May and October.

2 - Age of the House

When the National Flood Insurance Program started, subsidized rates for flood insurance were offered and are still available for buildings constructed prior to the effective date of the first FIRM for the community. These older, pre-FIRM buildings are “grandfathered” and may be rated at subsidized pre-FIRM rates to encourage communities to adopt at least the minimum construction standards and building elevation requirements. Due to a lack of flood protection regulations or flood data at the time of original construction, a pre-FIRM building is presumed to be at greater risk. Rates for most pre-FIRM buildings are generally higher than rates for post-FIRM structures.

Each flood map includes the effective date for the first FIRM and a history of its map changes by date. This allows insurance agents to use the date of construction to determine if our house is pre-FIRM or post-FIRM. The original building permit date is the official date of construction should any discrepancies arise.

If you make **substantial improvements** (usually more than 50% of the market value of the building in a 5-year period — ask your local building official or floodplain coordinator for details), the building loses its pre-FIRM grandfathering status. It is then considered to be post-FIRM and must comply with the present construction regulations, regardless of when it was originally constructed.

The same occurs when a pre-FIRM building incurs **substantial damage** from any source (usually 50% or more of the pre-damaged market value of the building — ask your local building official or floodplain coordinator). This substantially damaged building will no longer be grandfathered as a pre-FIRM structure and must be brought up to current code requirements prior to reoccupancy. The building will then be considered a post-FIRM structure.

Pre-FIRM and post-FIRM flood insurance premiums for the sample home

	<u>Pre-FIRM</u>	<u>Post-FIRM*</u>
X Zone	\$649	\$649 (\$233 for a preferred risk policy*)
AE Zone	\$907	\$812
A Zone	\$907	Submit to FEMA for rating.

* Either new construction or substantial damage or improvement

All rates shown are effective May 1, 2005 and are subject to change every May and October.

3 - Lowest Floor Elevation

For post-FIRM homes, flood insurance rates are based on the lowest floor elevation. Lowest floor elevations are certified by a registered land surveyor on FEMA-provided forms called Elevation Certificates. This certificate should be provided to your flood insurance agent in order to determine the lowest floor elevation so that post-FIRM structures receive correct flood insurance ratings.

In AE and A Zones, flood insurance rates are designed to encourage new development to be built to higher, safer standards. Discounts are available for up to four feet of floor elevation above the BFE as shown on the flood maps for your community. These elevation discounts are only available for buildings rated as post-FIRM. Pre-FIRM rates offer no elevation discounts. Your local building official or floodplain coordinator can provide more details on regulations and flood maps. Local communities may require more stringent elevation standards above the minimum NFIP requirements. These higher standards may qualify you for lower insurance rates – see the table below for a comparison of rates at various floor elevations.

Flood insurance premiums for the sample home at various elevations

		<u>AE Zone</u>	<u>A Zone</u>
Below Base Flood Elevation (BFE):	-2 feet	Submit for rate	Submit for rate
	-1 foot	\$2527	Submit for rate
At Base Flood Elevation (BFE)	At BFE	\$812	Submit for rate
Added Elevation:	+1 foot	\$465	\$1403
	+2 feet	\$288	\$641
	+3 feet	\$248	\$641

* FEMA and the Commonwealth of Kentucky require elevation to at least the BFE (Base Flood Elevation). Check with your community for additional elevation requirements. If the lowest floor of your home is higher than the minimum required elevation, you may be able to reduce your annual flood insurance costs considerably!

All rates shown are effective May 1, 2005 and are subject to change every May and October.

The “Grandfather Rules”

NFIP Grandfather Rules recognize policyholders who have built in compliance with applicable regulations and/or remained loyal customers of the NFIP by maintaining continuous coverage. The Grandfather Rules may make a big difference in your annual flood insurance premiums if applied properly. They are particularly important when your flood maps are changed or updated. If you choose, insurance agents can use the Grandfather Rules if they offer you lower rates. You will need to provide your agent with all necessary information about your home’s construction. Always ask your flood insurance agent to look for the lowest available rating options.

Common information your agent will need includes:

- Date of construction (date of the original building and/or floodplain construction permit if it is close to the effective date of a FIRM)
- A completed FEMA elevation certificate prepared by a registered land surveyor, which includes the lowest floor elevation data
- The dates of any substantial damages and/or improvements (generally a renovation, addition and/or damage valued at greater than 50% of the market value of the building prior to improvement or damage – ask your local building official or floodplain coordinator)

- Old flood maps effective at the time of original construction if the present flood zones or elevations have been revised since that date (check with your local floodplain coordinator)

You may need to hire a surveyor to prepare an elevation certificate. Documenting a higher lowest floor elevation with the elevation certificate can often recover the survey cost in the first year or two of reduced insurance premiums.

For some buildings, the insured would have these options:

Option A - Use the current rating criteria for the property (post-FIRM rating)

Option B - Use the BFE and/or flood zone on the FIRM (old map) in effect when the building was originally constructed (for pre-FIRM homes built in compliance with applicable regulations)

Option C - Maintain continuous coverage

So, what options should you and your insurance agent consider when new flood maps are issued for your neighborhood?

OPTION A -Using the Newest Flood Map

You can use the latest flood maps if they offer you lower rates. The latest maps are almost always the easiest to find, available from FEMA and on file with your local government. Sometimes more recent maps can lower your flood risk zone if you meet the minimum requirements for the current elevation and flood zone determination. If our example house was built in an AE Zone (\$1355 per year), then later remapped to an X Zone, it might qualify for a Preferred Risk Rate of \$233 (from the previous tables). A map change that moves a building to a higher risk zone may not raise the flood insurance rates if we are careful to consider all options. If our pre-FIRM house gets remapped from an X Zone to an AE or A Zone, the rate will increase. However, if it is well elevated and an elevation certificate is obtained, we might qualify for an elevation discount. The cost of hiring a surveyor to complete the elevation certificate would be easily recouped in the savings received in the first year's lower insurance rate.

OPTION B - Using the Flood Map in Effect at the Time of Construction

You also have the option of using the provision of the Grandfather Rules that allow the use of the flood map in effect at the time of construction to rate an existing home—even if new maps have been adopted—as long as the structure has not been substantially damaged and/or improved.

Some examples of this include:

- If the new maps change the flood zone designation from X to AE, you have the option of maintaining coverage under the X Zone designation as a non-flood risk property if you have proper documentation verifying the X Zone designation.
- In some cases, the new maps may increase the BFE within the same flood zone. To avoid a rate increase, you may maintain coverage according to the BFE shown on the old flood maps.

Each of these examples show significant annual savings if rated according to the flood maps in effect at the time of construction. In order to take advantage of the Grandfather Rules, the insurance agent or the owner must provide all of the documentation previously listed.

OPTION C - Continuous Coverage

If you maintain continuous coverage and your flood zone or BFE changes, then you do not have to provide the documentation required under the Grandfather Rules. Typically, if you can show that your structure has been continuously insured since before the map change, your rating will not be affected unless you have a Preferred Risk Policy. Check with your insurance agent to see if it will be more advantageous to have your policy rated using the BFE on the new FIRM.

Preferred Risk Policies

A Preferred Risk Policy (PRP) rewards one to four family residential structures that are at minimal flood risk, located in B, C or X Zones on the current effective flood maps. Preferred Risk Policies are the lowest flood insurance rates available. A home's eligibility for a PRP is also based on its flood loss history. If it has suffered insured losses or received Federal Disaster Relief payments, it is not eligible for PRP and must be written as a Standard Flood Insurance Policy. The structure may still be rated based on its B, C, or X Zone location, but it cannot qualify for the preferred Risk Policy. If you already have a Preferred Risk Policy prior to a map change, then rates will increase if a map change shifts your home from a B, C, or X Zone to an AE or A Zone. The Grandfather Rules do not apply to Preferred Risk Policies.

Increasing Your Coverage

If you have a properly rated flood insurance policy you always have the option of increasing the coverage values using the zone and elevation on the old map, regardless of any map changes. Using the previous example, if our home increases in value and we decide to increase our coverage to \$150,000 building/\$40,000 contents, the premium will go up because of the higher coverage. But we will be able to use the same zone and elevation discounts that previously applied. Coverage can be increased in any amount up to the NFIP Regular Program limits of \$250,000 on the building and \$100,000 on the contents. Coverage can be increased at any time during the policy term.

Strategies for Best Rates When New Flood Maps are Proposed

When new flood maps are proposed, there is usually a period of at least six months from the time the proposed maps are made available to the public and the date when they go into effect. You and your insurance agent can use this time to decide what strategy will result in the lowest rates for the same amount or even an increase amount of coverage.

The following tips may be helpful when deciding which strategy is best for you:

Make certain you have flood insurance at the best possible rates before the new maps take effect.

This gives you the option of continuing the same rates after the new maps are adopted by your community, with the exception of Preferred Risk Policies. Check the options outlined previously for the best rate. Identify your flood zone on the proposed new map. Your insurance agent may have a copy of the current flood map but is unlikely to have the proposed maps. You can usually review the proposed maps in your local government's building or planning office. Look for notices of public meetings where the proposed maps will be displayed and local, state, and/or federal officials will be available to answer your flood map and insurance questions.

If you don't have flood insurance now, consider purchasing a policy before the new maps take effect.

If your home is located in a B, C, or X Zone on the current map, outside the base flood area, your lender may not have required coverage, and you never thought you needed it. This is a potential mistake. (See the third bullet under "Other Helpful Tips".) You may decide later that you need flood insurance or your mortgage company may require it. If the proposed map places you in a higher risk zone and you have a federally backed mortgage, your lender will notify you by letter after the new map goes into effect and request that you purchase flood insurance. If you do not purchase the insurance within 45 days of notification, the lender will force-place the insurance and charge you for the cost. The cost of a force-placed insurance policy is usually much higher than a properly written and rated policy.

If your floor elevation exceeds the base elevation on the new maps, check for possible elevation discounts.

Elevation discounts for more than 3 feet higher than BFE in an AE Zone reduce premiums to nearly one-third less than in a lower risk X Zone.

Other Helpful Tips

- Encourage your insurance agent and local officials to keep any copies of the old flood maps. They can be hard to obtain after new maps have taken effect.
- Make a copy of the portion of the map panel showing your home's location.
- Consider buying flood insurance even if you are outside the designated special flood hazard area. On average, more than 25 percent of all flood insurance claims come from the less risk-prone flood zones that are designated as B, C, or X zones. Ask your insurance agent about the Preferred Risk Policy – it may be just what you need to protect your most important investment.
- Do not let your flood insurance lapse. Having continuous flood insurance coverage protects your property against flood damage and assures that the basis for rating your policy remains unchanged.
- Keep a copy of your elevation certificate. It documents your building elevation as well as the flood zone and BFE in effect when the home was built.
- If your elevation certificate shows the ground level at your home is above the BFE, you can request a Letter of Map Amendment (LOMA) to remove your home or your entire lot from an AE or A flood Zone. You may then qualify for a Preferred Risk Policy at a lower rate.
- If you are buying a structure that has flood insurance coverage, talk to your insurance agent about having the flood insurance policy "assigned" to you by the seller so that the coverage is continuous.
- The lack of flood openings (flood vents) in buildings elevated on solid foundation walls can significantly raise your rates. Contact your local building department or floodplain coordinator for assistance on ways that your home could be altered to reduce the cost of flood insurance. Such alterations might include the installation of flood vents or elevation of utility equipment (i.e. water heater, furnace, oil tanks, etc.) above the flood level.
- Consider higher deductibles. Deductibles up to \$5,000 are available that will reduce annual premiums. Check with your mortgage lender before increasing the deductibles.
- Encourage your community to participate in the Community Rating System (CRS), which provides insurance premium discounts based on activities and higher regulatory standards that the community implements. In a CRS community everyone enjoys living in a safer community while receiving flood insurance discounts.

How will I know when new flood maps are being issued for my community?

- Ask your local floodplain coordinator (your City or County Clerk's office can help you contact the correct person).
- Look for an official notice in your local newspaper.
- Look for articles in community newsletters, inserts in your utility bill, etc.
- Check your community's website.

This summary is not an alternative to the flood insurance manual or local construction regulations. It is intended to give property owners and flood insurance policy holders some ideas on what to do if a revised flood map is proposed and you wish to keep your flood insurance premiums to a minimum under current regulations. To describe the general issues in the clearest language, numerous simplifications have been used. Contact your insurance agent for your rating options on specific buildings and contact your local building official or floodplain coordinator for details on local construction regulations.

Where do I go for more information?

Visit www.water.ky.gov for the most current information on the Kentucky Floodplain Mapping Program.
Visit <http://kyem.dma.state.ky.us> for the most current information on Hazard Mitigation in Kentucky.
Visit www.fema.gov/nfip for floodplain management and flood insurance information.
Visit www.fema.gov/fhm for the most current information on flood hazard mapping.

Glossary of Terms and Acronyms

1% annual chance flood	The flood having 1% chance of being equaled or exceeded in any given year.
BFE	Base Flood Elevation. The elevation of the 1% annual chance flood.
FIRM	Flood Insurance Rate Map
Post-FIRM	Constructed after the date of the community's Flood Insurance Rate Map.
Pre-FIRM	Constructed before the date of the community's Flood Insurance Rate Map.
PRP	Preferred Risk Policy
Substantial Improvement	Any reconstruction, rehabilitation, alteration, or other improvement of a structure, the cost of which equals or exceeds 50% of the market value before the start of construction.

